

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

February 17, 1999 LR 21

benefit charitable organizations were granted tax exemption, like more traditional municipal bonds. Tax-exempt rates are generally lower than the interest rates on comparable taxable debt. In the current climate of rising costs and declining revenue for many nonprofit organizations, tax-exempt financing would be...can be a desirable alternative. However, in order to...for the interest on the obligation to be tax exempt, the obligation must be authorized by a (inaudible) state stat law. Adoption of LR 21CA and subsequent implementing of state legislation would allow a charitable, nonprofit organization to benefit from tax-exempt financing. There are currently a number of examples under state law where specific nonprofit entities are allowed to benefit from tax-exempt...for interest on obligation. We allow county hospital authorities to assist in financing hospitals and related facilities. Certain nonprofit organizations are allowed to finance facilities through the Nebraska Investment Finance Authority. Nonprofit, private institutions of higher education benefit from tax-exempt finance through the Nebraska Educational Finance Authority. Like other conduit revenue bonds, the bonds issued by these political subdivisions would be payable only from the payments made by the nonprofit borrower, and the taxing power and other revenue and property of the issuing political subdivision could not be pledged in any fashion for their payments. The request for this legislation originated from a number of members of the local American Red Cross Board of Directors. In reviewing financial alternatives to assist in the construction of new facilities for local Red Cross chapters, the Red Cross explored the option of tax-exempt financing. While this form of financing would have been beneficial, it was discovered that the issuance of tax-exempt bonds for this purpose was not authorized by state law, and therefore could not receive tax-exempt treatment. While the Red Cross proceeded to finance and construct their new facilities without the benefit of tax-exempt financing, there is no doubt other charitable organizations would benefit in the future from the passage of this proposed constitutional amendment. The Urban Affairs Committee advanced LR 21CA to General File without dissent. The committee proposed an amendment to LR 21CA which would clarify that the proposed (inaudible) amendment only applies to charitable, nonprofit enterprise, and to ensure that the property of the charitable, nonprofit enterprise benefiting from these provisions would only